

Equity long / short hedge fund questionnaire for RFP 10-61

Instructions for Completing Questionnaire

1. Please complete the questionnaire in the pages that follow.
2. Answers should be specific and brief unless the question asks for details.
3. If you are responding to questions and have multiple custom equity long short portfolios you may respond using data from one portfolio but you must provide annual data on the rest of the portfolios and explain dispersion and mandates.

Equity Long Short
As of DATE

COMPANY NAME: _____

BUSINESS DEVELOPMENT CONTACT: _____

TITLE: _____

ADDRESS: _____

PHONE NUMBER: _____

FACSIMILE NUMBER: _____

E-MAIL ADDRESS: _____

Data provided is for: "OFF-THE-SHELF FUND OF FUNDS," "TAILORED FUND OF FUNDS," OR "SINGLE MANAGER MULTI STRATEGY" _____

FUND NAME: _____

GENERAL FIRM INFORMATION

1. Describe the ownership structure of your firm. Be sure to identify any affiliations and joint ventures you have with other firms.
2. Describe your firm's organizational structure.
3. Provide a copy of your firm's organizational chart
4. Describe any potential changes to the business objectives and ownership structure of your firm. Provide highlights of your two and five year business plans.
5. Describe the origins and history of your organization (if you are a unit of a larger organization – focus on your specific business unit). Who were the founders and are they still involved?
6. Does your firm engage in any hedge fund related activities beyond fund-of-funds management or hedge fund consulting, such as the management of proprietary single manager funds, hedge fund seeding, or any other ancillary services? If yes, describe specific information regarding these activities. Are you involved in any other lines of business?
7. What is the compensation structure for the principal owners/managers/partners of your firm?
8. Is your firm a Registered Investment Advisor?
9. Does your firm have Errors and Omissions Insurance? Indicate the extent of coverage and the carrier.
10. Does your firm have fidelity bonding? describe coverage.
11. Does your firm have fiduciary liability insurance? describe coverage.
12. Provide the firm's most recent, audited financial statements.
13. Has your firm, any of its affiliates or any officer, principal or staff been involved in any regulatory disciplinary action, business litigation, or other legal proceedings related to your investment activities?
14. State whether, during the last 10 years, any regulatory agency has conducted an audit or review of the firm and/or the manager of the product you are proposing.
15. If such an audit or review was conducted, discuss any significant findings by the regulator.
16. Provide a copy of any deficiency letter or similar letter or report regarding such a regulatory audit or review.

17. Does your firm maintain a code of ethics?
18. Enclose your ADV Form, Part II (Corporate Review and Disclosure).
19. List the location of all offices and indicate functions performed.

PERSONNEL AND STRUCTURE

20. Enclose biographies of the key investment personnel for this product. Describe the structure of your investment team.
21. Describe the key experiences of senior management and describe how they relate to your organizations competitive advantage.
22. Describe your firm's compensation policy for investment professionals.
23. Have you ever lost key personnel (principals, portfolio managers, key research analysts)? If so, list the name, title, and specific role of the individuals that left the firm within the past five years.
24. Discuss how your firm retains your investment professionals.
25. Describe your firm's back up procedures in the event the key investment professional assigned to this account should leave the firm.

ASSETS UNDER MANAGEMENT

26. List the following for each of the last five years or since inception if tenure is less than five years:
 - a. Total assets under management / advisory – proposed product
 - b. Total Firm assets under management / advisory – fund of hedge fund products
 - c. Total Firm assets under management / advisory – internally-managed hedge funds
 - d. Total Firm assets under management / advisory – all products
 - e. Total number of fund of hedge fund accounts gained and lost
 - f. Total number of fund of hedge fund client accounts
27. What is your goal for growth of assets under management for this fund over the next five years? Discuss whether your fund is currently closed to new investors or when you intend to close your fund to new investors, if applicable.
28. For LPs, what percentages of the total assets of the fund do the owners and partners of your firm as of March 31, 2010 own? If the fund has not yet had a general partner asset infusion, detail above the planned level of investment. For off-shore LLCs, what percentages of the total assets of the fund do the employees and principals of your company as of March 31, 2010 own?
29. For LPs, on average, what percentage of the partner's liquid net-worth is invested in your

funds? What is the total dollar amount of partner capital in your funds? For off-shore LLCs, what percentage of the key employees' liquid net-worth is invested in your funds? What is the total dollar amount of key employees' capital in your funds?

PRODUCT-GENERAL INFORMATION

30. What is the structure of your funds (LP, LLC, LTD, master feeder)? Why was this structure chosen?
31. What are the liquidity provisions for the fund (i.e., quarterly, annually, only at termination of fund, lock-up period, gates)? Detail the match between liquidity offered to your investors and liquidity provided by underlying investments. describe the lock-up period for the underlying hedge funds.
32. What is the liquidity asset form (cash, securities)?
33. Who is the auditor of your funds? Has the auditor changed in the past 5 years? If so, explain.
34. Who is your legal counsel? Has your legal counsel changed in the past 5 years? If so, explain.
35. Who is your offshore administrator (if applicable)? Has your offshore administrator changed in the past 5 years? If so, explain.
36. With respect to the product, provide the total number of managers to which funds are allocated and specific strategy.
37. Give the percentage of managers in your fund which are "hard closed" to new business, "soft closed" to new business and open.

INVESTMENT MANAGEMENT METHODOLOGY

38. Describe the firm's investment philosophy. be sure to identify what gives your firm a competitive advantage.
39. Describe your investment process, including the selection of managers and portfolio construction.
40. Describe how your firm maintains access to the best hedge fund managers. What are your primary sources of information regarding new managers?
41. Identify the person or persons who make the final decision on strategy and/or manager selection and briefly outline the decision-making process.
42. Describe how portfolios are constructed and specify any circumstances under which the firm would deviate from the portfolio construction process.

43. Describe the investment environments in which the firm's strategy can be expected to out-perform and under-perform.
44. Describe any capacity constraints that may limit the Prospective Manager's ability to successfully execute this program.
45. Provide a history of the underlying hedge fund manager turnover, additions and deletions. explain if you expect the turnover rate to change going forward. What is the average holding period for underlying managers? If you are proposing a "tailored" account, would you expect the turnover rate to be different?
46. Discuss your philosophy regarding the usage of margin/leverage. include information regarding fund level leverage and specifics regarding leverage that is employed by sub-managers. Do you place policy limits on the level of total leverage employed across the total fund?
47. Do you risk adjust each managers returns and how?
48. What controls are in place to ensure that your fund adheres to restrictions and limits on the usage of margin/leverage.
49. Discuss to what extent your fund invests in overseas markets.
50. Do your funds make allocations to market neutral or net short strategies? describe why or why not.
51. Describe your philosophy as it pertains to transparency. Do you require 100% position level transparency? If so, what do you do with it? If not, how do you become comfortable with a strategy and how do you monitor it?
52. Describe your internal systems and infrastructure as they pertain to risk control and monitoring of managers. How many investment professionals are focused on risk management? describe any changes to the risk management process in the past five years. What level of risk level transparency and reporting do you make available to your investors?
53. Describe your philosophy and procedures regarding the valuation of non-marketable securities. What role, if any, do you play in monitoring valuations?
54. Describe the top three reasons that you have redeemed from funds.
55. What is the targeted risk / return profile of the subject product? How is portfolio risk monitored and controlled?

HEDGE FUND MANAGER DUE DILIGENCE PROCESS

56. Describe how new managers and strategies are identified and monitored.
57. How many managers do you track and examine regularly?
58. What is your ratio of current managers to research analysts?
59. Describe how the firm's manager ranking system works and how the ranking system weighs quantitative and qualitative inputs.
60. Describe the minimum manager tenure (or assets under management) requirements for a manager to qualify for monitoring and investment consideration.
61. Describe the circumstances that would disqualify a manager from consideration.
62. In as much detail as possible, describe the due diligence performed on a prospective hedge fund manager. Is there an operational due diligence team that is distinct from the research team? If so, does the head of operational due diligence have veto power in the investment process?
63. Do you use any hedge funds that are not domiciled in the U.S.?
64. How do you evaluate and mitigate the underlying hedge funds prime broker risk?
65. Are the prime brokers allowed to hypothecate positions to foreign entities?
66. Discuss whether the firm uses any third parties to assist in this part of the due diligence process.
67. Provide a sample due diligence report for an approved hedge fund manager.
68. State whether the firm's legal, audit or compliance departments may veto inclusion of a particular fund in the portfolio.
69. Indicate the frequency with which the firm conducts on-site visits to underlying hedge fund managers that have an approved rating; and describe the specific issues addressed in the visits.
70. Explain how the firm handles issues related to allocations between separate and commingled accounts.
71. Describe the liquidity requirements for the underlying hedge funds.

PERFORMANCE DATA

72. Provide performance data **net** of all fees dating back to the inception of the fund monthly, quarterly and annually. If applicable, provide return streams for commingled products as well as representative separate accounts. Data should be provided in attached spreadsheet in specified location for each fund)
73. Is this an actual performance or a back test? Does your Firm employ a dedicated performance measurement professional?
74. Describe the effects leverage has had on the performance of the product over the life of the fund. Provide unlevered monthly returns (net of fees) for the product. describe situations where leverage was adjusted as a risk management tool. To what extent does your firm have control over leverage at the underlying hedge funds?
75. Provide a discussion of your performance calculation methodology. How are composites created? Composite results are calculated:
- _____ Weighted for dollars under management (CFA Institute standard)
- _____ On a median (unweighted) basis
- Have performance numbers been audited?
- ☐ Yes ☐ No
76. What method of linking is used to obtain each quarter's performance results? (Monthly linking is the CFA Institute standard).
77. What percentage of accounts using this product are included in the composite?
- % _____
78. What percentage of assets using this product are included in the composite?
- % _____
79. Are terminated accounts included in the composite?
- ☐ Yes ☐ No
80. Are there any exclusions from your composite? If so, detail.
81. Has the composite ever been altered for any reason (i.e., personnel changes)?
82. What is the return objective for this product?
83. State whether the firm compares itself to any kind of external benchmark. If it does, identify the benchmarks and explain why they are the relevant benchmarks.
84. What is the best way for us to obtain composite monthly performance results, net of fees, going forward (website, email, phone call)? How much fund information is available on a real-time basis?

85. Illustrate your market up/down capture over the last 5 years.
86. Illustrate your risk adjusted performance since inception. Use a balanced portfolio 60/40, HFRI Equity Long Short Index, S&P 500 and any index you compare your results to.
87. Provide a sample quarterly, monthly, and annual client performance and risk report.
88. Complete the table below:

Size of underlying hedge fund (in millions)	Number of funds in portfolio	% of portfolio assets
>200		
200 > 500		
500 > 1,000		
1,000 > 3,500		
3,500 > 10,000		
10,000 or over		

Data in table must be for the same product the historical information has been provided for

89. Provide a sample capital account balance report or monthly account statement.

RESEARCH

90. Describe your research capabilities relative to the subject product.
91. What distinguishing features of your firm's research methodology differentiate it from the competition?
92. Discuss the nature and type of research material produced by your firm, which would be made available to clients.
93. Describe your firm's sources of any external research if any.

CLIENT SERVICE

94. Who would be responsible for servicing a new account? include his/her biography.
95. How often will the client service officer be available for client meetings?
96. How often will the portfolio manager, chief investment officer and/or firm president be available for client meetings?

97. What other communication is provided to clients (include a description and/or samples of newsletters, seminars, etc.)?
98. Describe your internal controls for monitoring compliance with client investment policies and guidelines.
99. Describe the frequency and method of your communication with a client's custodian for customized/tailored accounts.
100. Are the underlying hedge fund managers available to meet with clients?

FEES ***Metro prefers a fee schedule that is paid quarterly in arrears and has an annual incentive fee based on performance as of June 30 of each year over a hurdle rate without a catch-up. The fee should include all administrative, accounting and audit fees normally associated with a fund of funds.***

101. What is your proposed fee?
102. Will there be any other costs or fund expenses to Metro? Are there any fund expenses? Is so explain in detail and are the expenses a regular part of the annual audit?

CONFLICTS OF INTEREST AND ALIGNMENT OF INTEREST

103. State whether the firm receives any fees from hedge fund managers or intermediaries. If it does, explain and describe the nature of the relationship.
104. To what extent does your firm receive soft dollars from the trading activity of underlying managers?
105. Describe any actual or potential conflicts of interest that exist between the Manager, investors and the hedge fund managers and how these are mitigated.
106. State whether any of the firm's investment professionals have other business responsibilities outside of their employment with the firm and, if applicable, describe the other business responsibilities.
107. The section below contains some State requirements. Do you have any objection to the language?
Indemnification and Hold Harmless. CONTRACTOR will indemnify and hold harmless METRO, its officers, agents and employees from:
 - a) Any claims, damages, costs and attorney fees for injuries or damages arising, in part or in whole, from the gross negligent or intentional acts or omissions of Contractor, its officers, employees and/or agents, including its sub or independent contractors, in connection with the performance of the contract, and,

- b) Any claims, damages, penalties, costs and attorney fees arising from any failure of CONTRACTOR, its officers, employees and/or agents, including its sub or independent contractors, to observe applicable laws, including, but not limited to labor laws and minimum wage laws.
- c) METRO will not indemnify, defend or hold harmless in any fashion the CONTRACTOR from any claims arising from any failure of the CONTRACTOR to perform its duties under this contract, regardless of any language in any attachment or other document that the CONTRACOR may provide.
- d) Contractor shall pay Metro any expenses incurred as a result of Contractor's failure to fulfill any obligation in a professional and timely manner under this Contract.